Audited Financial Statements of the Community Development Financial Institutions Fund for Fiscal Years 2001 and 2000

OIG-02-038

January 11, 2002

Office of Inspector General

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The Department of the Treasury

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

JAN 11 2002

MEMORANDUM FOR TONY T. BROWN, DIRECTOR
COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS FUND

FROM: William H. Pugh *William H. Pugh*
Deputy Assistant Inspector General for
Financial Management and Information
Technology Audits

SUBJECT: Audited Financial Statements of the
Community Development Financial Institutions
Fund for Fiscal Years 2001 and 2000

I am pleased to transmit the audited financial statements of the Community Development Financial Institutions (CDFI) Fund for Fiscal Years (FY) 2001 and 2000, as required by the Riegle Community Development and Regulatory Improvement Act of 1994, and the Government Corporation Control Act. These financial statements are incorporated in the CDFI Fund's FY 2001 Annual Report. The CDFI Fund's financial statements were audited by KPMG LLP, an independent public accountant (IPA). The IPA issued the following reports which are included in the attachment:

- Independent Auditors' Report on the Financial Statements;
- Independent Auditors' Report on Internal Control over Financial Reporting; and
- Independent Auditor's Report on Compliance with Laws and Regulations

The IPA rendered an unqualified opinion on the CDFI Fund's FY 2001 and 2000 financial statements. The Independent Auditors' Report on Internal Control over Financial Reporting contained no reportable conditions. In addition, the Independent Auditor's Report on Compliance with Laws and Regulations contained no instances of noncompliance.

The IPA issued a management letter dated December 14, 2001, discussing various issues that were identified during the audit, but which are not required to be included in the audit report.

My staff's review of the IPA's working papers determined that work was performed in accordance with generally accepted government auditing standards. Should you have any questions, please contact me at (202) 927-5430, or your staff may contact Mike Fitzgerald, Director, Financial Audits at (202)927-5789.

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Overview

The Community Development Financial Institutions (CDFI) Fund was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. The Fund was authorized by the Riegle Community Development and Regulatory Improvement Act of 1994, as a bipartisan initiative. The CDFI Fund provides important infusions of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage private-sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has made more than $539 million in awards to community development organizations and financial institutions.

CDFIs are specialized financial institutions that work in market niches that are underserved by traditional financial institutions. These CDFIs provide a unique and wide range of financial products and services, including mortgage financing for first-time home-buyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, commercial loans and investments to start or expand small businesses in low income areas. Loans to rehabilitate rental housing, financial services provided to low-income households and micro (small dollar) loans to local businesses are also innovative products offered by CDFIs. In addition, these institutions provide services that help ensure that credit is used effectively, such as technical assistance to small businesses and credit counseling to consumers. CDFIs include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds, among others.

Fund Mission

The Fund's vision is an America in which all people have adequate access to affordable credit, capital and financial services. Its mission is to expand the capacity of financial institutions to provide capital, credit and financial services in underserved markets. CDFIs are private, for-profit and nonprofit financial institutions which have community development as their primary mission and which have received certification by the Fund. They include community development banks, community development credit unions, nonprofit loan funds, microenterprise loan funds, and community development venture capital funds.

Fund Goals

To accomplish its mission, the Fund has identified four goals:

1. Strengthen and expand the financial capacity of CDFIs;
2. Strengthen the organizational capacity and expertise of CDFIs to better serve their communities;
3. Expand financial service organizations' community development lending and investments; and
4. Strengthen and expand the network of microenterprise development organizations and promote microentrepreneurship.

Fund Programs

The Fund administers several programs that directly address the above goals. Fund programs put capital to work by providing financial assistance to both established and emerging CDFIs. The programs also strengthen relationships between CDFIs and mainstream financial institutions and help build the CDFI industry as a whole.

The Fund's programs are as follows:

Community Development Financial Institutions Fund Program

The CDFI Program has four separate components: the Core Component; the Intermediary Component; the Small and Emerging CDFI Assistance (SECA) Component; and the Native American CDFI Technical Assistance (NACTA) Component. The Core Component is the Fund's main program under which CDFIs, or entities proposing to become CDFIs, may apply for financial and technical assistance. The Intermediary Component is created specifically for intermediaries who focus primarily on the financing of other CDFIs. The SECA Component is designed to better meet the unmet capacity needs of CDFIs, or entities proposing to become CDFIs, who have significant potential for increasing their community development impact.

Through SECA, eligible entities may receive financial and/or technical assistance. The NACTA Component is designed to provide technical assistance grants that will specifically benefit Native American, Alaska Native and Native Hawaiian communities and to promote the development of CDFIs that serve these communities. The first round of the NACTA component began in the Fall of 2001.

Bank Enterprise Award Program

The Bank Enterprise Award (BEA) Program recognizes the key role played by traditional financial institutions in community development lending and investing. It provides incentives for these regulated banks and thrifts to invest in CDFIs and to increase their lending and provision of financial services in distressed communities. The BEA Program supports the community reinvestment efforts of these financial institutions.

New Markets Tax Credit Program

On December 21, 2000, the Community Renewal Tax Relief Act of 2000 was signed into law. This legislation will spur the investment of $15 billion over seven years in new private capital into a range of privately managed investment vehicles that make loans and equity investments in New Markets businesses. By making an equity investment in an eligible "community development entity" (CDE), individual and corporate investors can receive a New Markets Tax Credit worth more than 30 percent of the amount invested over the life of the credit, in present value terms.

The initial allocation of tax credits will be provided by the end of calendar year 2002.

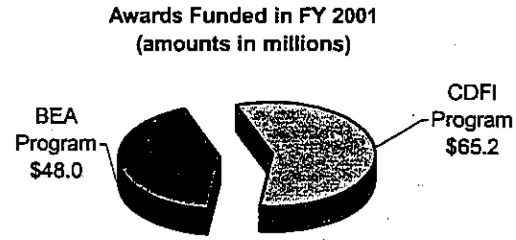
Native American Lending Study

The CDFI Fund has conducted a study on lending and investment practices on Indian reservations and other lands held in trust by the United States. Input was solicited through a series of 13 regional workshops throughout the United States, and two roundtable meetings. Workshop participants included tribal leaders, tribal economic and financial planners, bankers, federal agencies, bank regulators, secondary market organizations, state agencies and others. The participants in these workshops identified barriers to lending and investment on Native American lands; and developed recommendations for addressing the barriers. The findings have assisted the CDFI Fund in drafting a final report to the President and Congress.

Additional information on the above programs is provided in the Program Discussion and Analysis section of this report.

Allocation of Funding

Total program amounts funded during FY 2001 totaled $113.2 million.



Sources of Funding

Funds are appropriated annually to the CDFI Fund for two fiscal years. Therefore, each year's available funding may include unobligated funds from the prior year ("carryover" funding) plus the current year's appropriations. Sources of funding also include borrowing authority to fully fund loans awarded.

Sources of Funding (amounts in millions)	FY 01	FY 00
Appropriations	$117.7	$95.5
Transfer Funding	[illegible]	20.0
Amounts Deobligated	1.0	3.3
Carryover from Prior Year	.2	6.1
Borrowing Authority	8.1	9.0
Total Sources of Funds	**$127.0**	**$133.9**

Uses of Funding

During FY 2001, the Fund incurred obligations totaling $122.7 million. Total funds provided were used as follows:

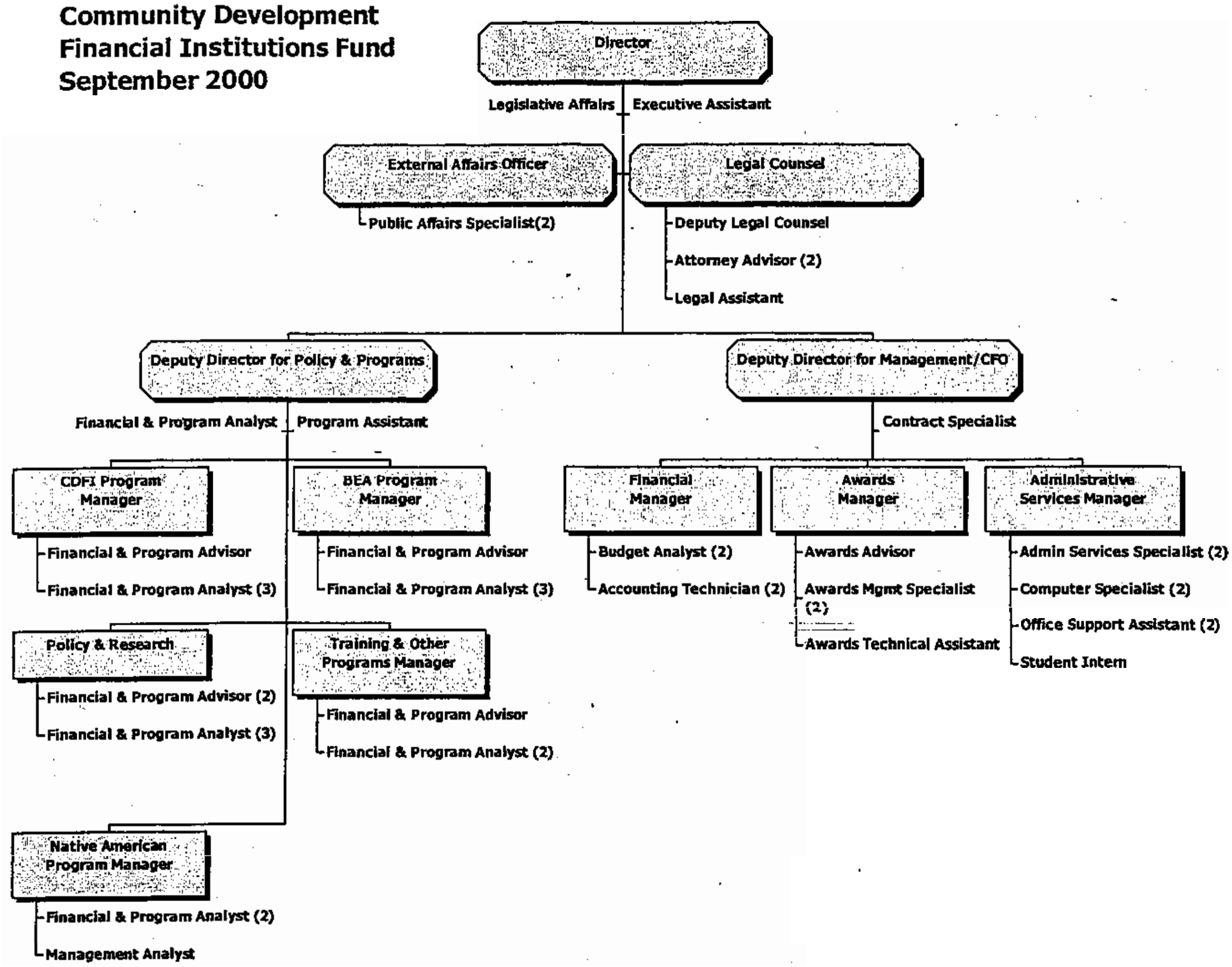
Uses of Funding (amounts in millions)	FY 01	FY 00
Awards Funded:		
CDFI Program:		
Core and Intermediary	$55.1	$77.3
SECA/Technical Assistance Grants	8.6*	3.0
NACTA Grants	1.5	-
Total, CDFI Program	$65.2	$80.3
Bank Enterprise Award	48.0	44.8
Total Awards	$113.2	$125.1
Program Management and Administration	9.5	8.0
Training Contracts	0	.6
Total Amounts Obligated	$122.7	133.7
Amounts Not Obligated	4.3	.2
Total Funding Used	**$127.0**	**$133.9**

* - includes $.2 million for training contracts

Organization of the Fund

The Fund's structure consists of a Director, a Deputy Director for Policy and Programs, a Deputy Director for Management/Chief Financial Officer, and various program and administrative support offices. The organization chart of the fund is shown below.

Community Development Financial Institutions Fund September 2000



PERFORMANCE HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

During FY 2001 the Fund continued to support an ever-increasing number of CDFIs and Financial Service Organizations (FSOs) in distressed communities throughout the country. Its efforts created greater access to capital in these communities, resulting in increased employment, more affordable housing, revitalized neighborhoods, and strengthened local communities.

Highlights of the Fund's program and financial performance during FY 2001 are summarized below.

Community Development Financial Institutions Program

(dollar amounts in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Number of certified CDFIs at year-end	188	262	334	415	468
Core Component					
Total amount of awards funded	$33.3	$44.3	$78.1	$74.2	$53.1
Number of applications received	159	131	153	160	153
Number of awards	50	42	78	75	59
Intermediary Component					
Total amount of awards funded	$0	$7.1	$8.2	$3.1	$2.0
Number of applications received	0	N/A	8	7	7
Number of awards	0	3	4	2	2
Small and Emerging CDFI Technical Assistance Component/ Technical Assistance Component*					
Total amount of awards funded	$0	$3.0	$4.1	$3.1	$8.6
Number of applications received	0	112	160	141	196
Number of awards	0	70	89	66	79
Number of awardees that are start-ups	0	10	19	15	32

* the SECA component replaced the TA component during FY 2001

Bank Enterprise Award Program

(dollar amounts in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Total amount requested	$16.5	$28.0	$31.7	$54.9	$72.3
Total amount of awards funded	$16.5	$28.0	$31.7	$44.8	$48.0
Number of awards	41	79	103	159	145
Amount of financial and technical assistance BEA awardees provided to CDFIs	$65	$140	$168	$244	$277
Amount of loans, investments, and services BEA awardees made in distressed communities	$83	$374	$717	$1,132	$154
Number of CDFIs receiving assistance from banks	61	89	95	165	164

Summarized CDFI Fund Financial Data

	(amounts in millions) FY 2000	FY 2001
Assets	$215.6	$231.5
Liabilities	$72.4	$84.2
Net Position	$143.2	$147.3
Revenue and Financing Sources	$104.5	$111.2
Expenses	$104.7	$111.5
(Shortage) of Revenue and Financing Sources Over Expenses	($.2)	($.3)

PROGRAM DISCUSSION AND ANALYSIS

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS CERTIFICATION

For an organization to be eligible to receive a Core, Intermediary or Small and Emerging CDFI Assistance (SECA) award, it must be a certified Community Development Financial Institution (CDFI). A certified CDFI is one that has been certified by the Fund as meeting all of the following criteria:

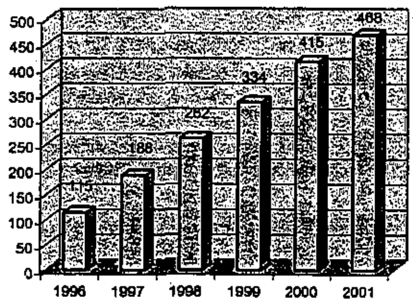
- has a primary mission of promoting community development;
- serves principally an underserved investment area or a targeted population;
- makes loans or development investments as its predominant business activity;
- provides development services (such as technical assistance or counseling);
- maintains accountability to its target market; and
- is a non-governmental entity.

CDFIs include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds, among others.

In addition to seeking certification to receive financial assistance from the Fund, organizations pursue CDFI certification to leverage funds from non-federal sources such as banks, foundations, and state and local governments.

The certification of organizations as CDFIs has been a long-standing goal of the Fund. By the end of FY 2001, the Fund had certified a total of 468 CDFIs serving both rural and urban areas in all states and the District of Columbia, Puerto Rico, the Virgin Islands and American Samoa.

Increase in CDFI Certifications



Fiscal Year

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS PROGRAM

The Community Development Financial Institutions (CDFI) Program uses limited federal resources to invest in and build the capacity of private, for-profit and nonprofit financial institutions to provide capital and financial services to underserved people and communities. The Fund invests in CDFIs using flexible tools such as equity investments, loans, grants, and deposits, depending on market and institutional needs. The applicant CDFI demonstrates these needs in a required business plan and in its ability to raise comparable non-federal matching funds, both requirements of the application process. The Fund evaluates each applicant CDFI in a manner similar to a private investor's determining the investment-worthiness of an institution. This evaluation for an award decision includes an assessment of the applicant's financial performance, management capacity, market analysis, and potential community development impact. Thus, the Fund effectively assists these organizations in their ability to meet community needs, develop, and grow.

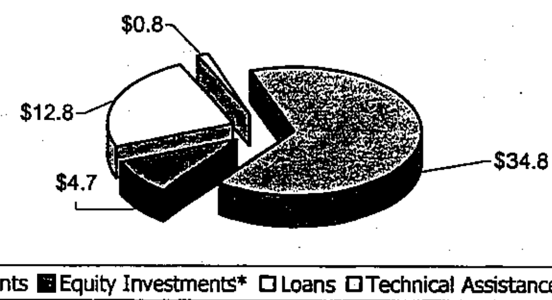
The FY 2001 CDFI Program had four separate components: the Core Component, the Intermediary Component, the Small and Emerging CDFI Assistance (SECA) Component, and the Native American CDFI Technical Assistance (NACTA) Component.

Core Component

The Core Component is the Fund's main program under which CDFIs, or entities proposing to become CDFIs, may apply for financial and technical assistance. Funding through this component supports CDFIs seeking to build their capacity and enhance their lending, investment, and community development activities. Selection of Core awardees is based on several factors, including their financial track record, the capacity of their management, their strategy for achieving community development impact, their ability to obtain matching funds in a form and value similar to the Fund's award, and their effective use of the Fund's dollars.

During FY 2001, Core awards totaling $53.1 million were made to 59 organizations (this amount includes eight awards totaling $5.3 million from the FY 2000 funding round). The awards ranged from $53,000 to $3.0 million.

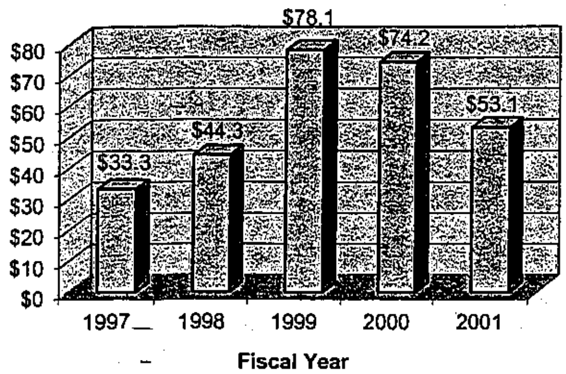
FY 2001 CDFI Core Awards
(amounts in millions)



*includes Secondary Capital investments in credit unions

The $53.1 million awarded during FY 2001 was $21.1 million less than the $74.2 million awarded during FY 2000. This difference results from the process used to screen applicants for award. During FY 2001, this screening process was made more stringent in that only applications receiving an approval by all application reviewers would be considered for an award. In prior years, approval by a majority of application reviewers was sufficient for an application to be considered for award. While this screening process resulted in fewer FY 2001 applications being approved for award, we believe that a greater percentage of these awardees will be able to fully comply with the terms of their assistance agreements than prior year awardees. Thirty-nine percent of the FY 2001 applications were approved, compared to 46% and 51% approval rates in FY 2000 and 1999, respectively.

Total Amount of Core Awards
(amounts in millions)



Applications for Award

During FY 2001 the Fund received 153 Core applications for award totaling $224 million, slightly less than the $246 million requested in 160 applications received the previous year. The number of applications received is an indication of the Fund's positive outreach efforts to make entities aware of the Funds programs. Fourteen percent of the 59 organizations receiving an FY 2001 award were start-up organizations (organizations that have been operating for two years or less); this percentage has remained fairly constant over the past two years.

Geographic Reach

The geographic location and service areas of the FY 2001 awardees are as diverse as the services and products they offer. Awardees are located in 27 states and serve all 50 states, Washington D.C. and Puerto Rico. Forty awardees serve urban areas; 38 serve rural communities and 22 serve suburban areas (many awardees serve multiple markets, therefore the total of these numbers will be greater than the number of awards).

Core Awardee Survey

For the third consecutive year, the Fund administered a survey to collect performance and outcome data from our Core awardees. These surveys include organizations receiving Core component awards since FY 1996.

The purpose of the surveys is to identify the volume and types of activities carried out by awardees, the client profile of these awardees (who they serve), information on the amount of matching funds received, and the community development impact created by Core awards.

The following table shows results for 106 of the CDFIs that received Core Awards from FY 1996 through FY 1998. These institutions received awards totaling $122 million in these two years.

Performance of 106 FY 1996 Through 1998 Core Awardees During 1999	
Dollar amount of loans and investments made	$1.4 billion
#/Dollar amount of checking and savings accounts	159,000/$484 million
# of enterprises financed	3,258
# of jobs created or retained	24,698
# of affordable housing units to be developed or rehabilitated	24,885
# of community development facilities financed	411
Demographics: Average Client Profile of Awardees	
% of clients that are low-income	71%
% of clients that are minorities	62%

Intermediary Component

Under the Intermediary Component, the Fund provides financial assistance on a competitive basis to CDFIs that, in turn, provide financing to other CDFIs or support the formation of CDFIs—particularly those that are small, geographically isolated, or have other specialized needs. The Fund initiated this component to serve the CDFI industry more efficiently and effectively.

The application process for the Intermediary Component is comparable to that of the Core Component. However, the number of applications is far fewer because of the relatively small number of Intermediary CDFIs. In selecting awardees, the Fund considers the extent to which assistance would add substantially to the CDFI field, creating benefits beyond those that the Fund can accomplish through the Core Component.

Awards totaling $2.0 million were made to two of the seven applicants to the FY 2001 Intermediary Component round. One of the Intermediaries will use the award to provide loans, training and technical assistance to community loan funds throughout the country with a particular emphasis on small and emerging CDFIs. The other Intermediary award is to a start-up that will provide financial and technical support to state- and regional-level support organizations for microenterprise loan funds.

Small and Emerging CDFI Technical Assistance (SECA) Component

The SECA Component of the CDFI program was launched during FY 2001, and was received with great market interest and appeal. The objective of this component is to meet the capacity needs of the smaller CDFIs or entities proposing to become CDFIs. Organizations receiving an award under this component are limited to those with less than $5 million in assets, and which have never received a prior financial assistance award from the Fund.

The Fund received 196 applications with total requests for almost $29 million of which 79 were selected to receive $8.6 million in awards (this amount includes seven awards totaling $430 thousand from the FY 2000 funding round).

SECA allows for two types of funding requests, one for Technical Assistance (TA) only, and one for TA and Financial Assistance (FA). The TA was a continuation of the basic structure of the Fund's prior TA Component. Applicants for TA only were not limited in assets or other special eligibility requirements. They did however tend to be smaller then Core applicants. TA awards are made in the form of grants, and are used for training of staff and management, the acquisition of technology to improve operations, and the use of outside experts to build organizational capacity.

The second funding request allowed for TA and FA. The TA/FA applicants had to meet "small and emerging" eligibility requirements – a maximum of $5 million in assets and never having received prior financial assistance from the Fund. Two-thirds of the SECA 2001 applicants were for TA/FA and therefore met the small and emerging definition.

The Fund managed a TA only program from 1998 through 2000. That experience coupled with SECA suggests that there is an on-going demand for TA. The response to the SECA Notice of Funds Availability (NOFA) suggests that there is also ample demand for a "small-cap" window. Community Development Credit Unions represented 22% of the applicants for SECA and 29% of the SECA awardees. Credit unions often have limited opportunities to raise external matching funds. and therefore frequently rely on retained earnings as a source of match. The Fund however requires credit unions to increase its member shares or deposits as a means to "match" the retained earnings.

Thirty-two (41%) of the awardees represent start-up organizations, compared to 15 (23%) of the prior year TA awardees being start up organizations.

Geographic Reach

The organizations selected for an FY 2001 SECA award are headquartered in 26 states, the District of Columbia and Puerto Rico. Thirty-seven (47%) have target markets that include rural markets with the remaining organizations serving urban or suburban markets.

Native American CDFI Technical Assistance (NACTA) Component

The NACTA Component was new for FY 2001 and was allocated $5.0 million of funding. The objective of the program is to establish and strengthen the capacity of CDFIs to serve Native American and Alaska Native communities through training and technical assistance.

To implement the technical assistance portion of the program, a Notice of Funds Availability (NOFA) in the amount of $3.5 million was published during FY 2001 and the program was included in the Fund's outreach sessions starting in early FY 2002. The deadline for receipt of award applications is January 2002.

Entities expected to apply for the TA grants are 1) CDFIs that primarily serve the Native American and Alaska Native populations; 2) Tribes, Tribal entities, and non-profit organizations that primarily serve Native American and Alaska populations; and 3) qualified TA providers in conjunction with one of the entities above.

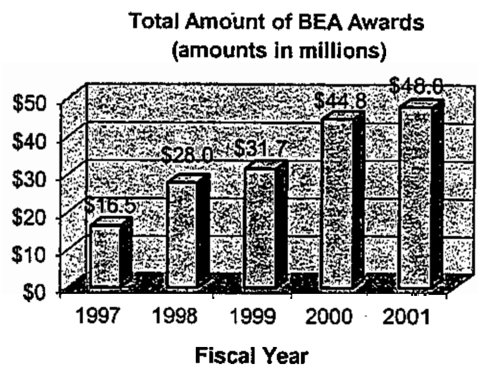
The remaining $1.5 million of funding was obligated during FY 2001 to establish a training program for potential CDFI organizations which will serve Native American and Alaska Native communities, similar to the training initiatives that are underway to support the CDFI industry.

BANK ENTERPRISE AWARD PROGRAM

The Bank Enterprise Award (BEA) Program recognizes the key role played by traditional financial institutions in community development lending and investing. It provides incentives for these regulated banks and thrifts to invest in CDFIs and to increase their lending and financial services in distressed communities. Providing monetary awards for community reinvestment leverages the Fund's dollars and puts more capital to work in distressed communities throughout the nation.

All depository institutions insured by the Federal Deposit Insurance Corporation are eligible to apply for a BEA Program award. The Fund determines awards based on the increase in the total dollar value of activities within an assessment period compared with the value of the activities during the same period in the previous year. Awards range from five percent to 33 percent of the dollar value of the increased activities, depending on the type of activity and whether the applicant is a certified CDFI. Eligible activities include providing financial or technical assistance to CDFIs as well as lending, investing, and providing services in distressed communities. Distressed communities are geographic areas, including Indian reservations, which meet certain criteria of economic distress.

Over the last several years there has been a significant increase in the number of financial institutions applying for a BEA Program award and a corresponding increase in the number and amount of awards. In FY 1997, there were 75 applicants for a BEA Program award of which 54 received awards totaling $16.5 million. In FY 2001, there were 239 applicants requesting $72.3 million, of which 145 received awards totaling $48.0 million (this amount includes six awards totaling $1.8 million from the FY 2000 funding round).



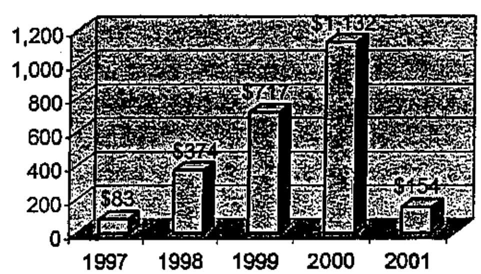
This growth is primarily due to an increase in the amount of dollars appropriated to the Fund over this period; however, the Fund has also engaged in significant outreach efforts to make financial institutions more aware of the BEA Program and how it can be used.

Since inception of the BEA program, the Fund has awarded over $182 million to banks and thrifts. To date, BEA awardees have provided more than $2.5 billion to distressed communities in the form of direct loans, investments, and services, and more than $959 million in financial support and technical assistance directly to CDFIs. It should be noted that the Distressed Communities in which BEA Program Awardees are active must meet stringent distressed criteria. Specifically, a Distressed Community must be a geographic area where (1) at least 30 percent of the residents have incomes which are less than the national poverty level (based on the 1990 Census); and (2) the unemployment rate is at least 1.5 times greater than the national average (based on the U.S. Bureau of Labor Statistics' most recent data).

The number of CDFIs receiving financial assistance from banks and thrifts has increased from 61 in FY 1997 to 164 in FY 2001. This growth is due to an increased awareness within the CDFI industry regarding how the BEA program can be used as a tool for raising financial resources from banks and thrifts. Some of the growth can also be attributed to an increased awareness within the financial services industry of the BEA Program.

FY 2001 BEA awardees provided $277 milllion in loans, deposits and technical assistance to CDFIs, and $154 million in loans, investments and services in distressed communities. This investment in distressed communities represents a significant decrease when compared to prior years. This decrease is due to funding limitations that prevented the Fund from making awards to all applicants in the Development and Services category. Because FY 2001 was the first year in which the BEA Program was significantly oversubscribed – meaning that it received more in requested qualified awards than it had available to award – the Fund was required to give priority to applicants in the CDFI Related category, in accordance with established Fund procedures, before applicants in the Development and Service Category. The Fund only had enough BEA funding to award the top applicants in the Development and Services category; accordingly, there were fewer awardees in the Development and Services category than in previous years and fewer dollars for investment in distressed communities.

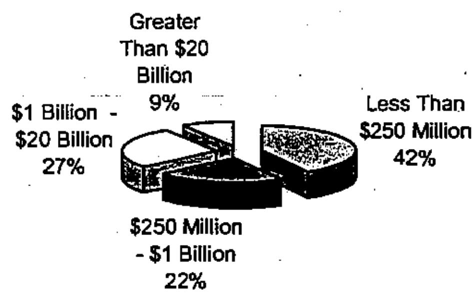
Amount of BEA Loans, Investments, and Services in Distressed Communities By BEA Awardees (amounts in millions)



Diversity of BEA Awardees

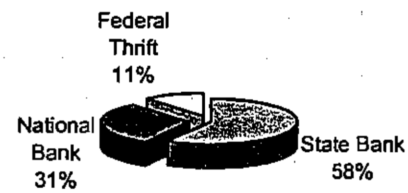
The Fund attempts to ensure that a variety of banks and institutions—in terms of asset size and type—participate in the BEA Program. Over the last several years, awards provided to the smallest banks and thrifts (i.e., those with less than $250 million in assets) have increased from 27 percent of the FY 1998 awardees to 42 percent of the FY 2001 awardees. While this percentage has remained fairly constant over the past two years, the percentage of banks in the over $250 million to $1 billion category has increased during the past year, from 16% of the FY 2000 awardees to 22% of the FY 2001 awardees. This growth in the percentage of smaller institutions receiving awards is most likely attributable to outreach efforts and increased awareness within the financial services industry of the BEA Program.

FY 2001 BEA Awardees by Asset Size



Participation by type of organization (bank or thrift) has varied each year. The most significant change is the steady increase in the total number of state-chartered banks, from 25% of the FY 1997 awardees to 58% of the FY 2001 awardees. This trend is most likely related to the Fund's outreach efforts.

FY 2001 BEA Awardees by Type



BEA Awardee Survey

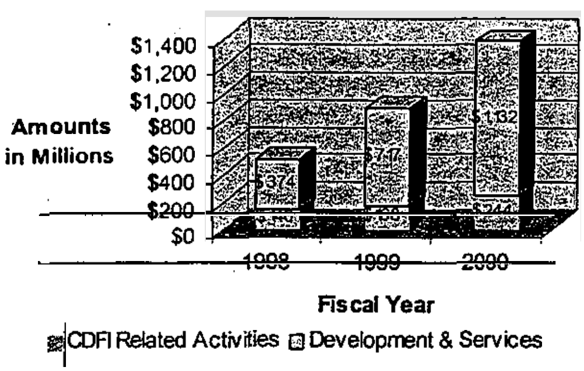
FY 2001 marks the first year the Fund began collecting information from organizations that had received BEA program awards.

The Fund surveyed all 159 organizations receiving a FY 2000 BEA award. The purpose of the survey was to determine the level of influence the BEA Program may have had on the community development finance and related activities undertaken by program participants, and to determine how the awardees allocate award dollars.

Results of this survey indicate that the BEA Program channels investments into CDFIs, the program allows banks and thrifts to make loans and investments in CDFIs in larger dollar amounts and with more favorable rates and terms then they otherwise would have made, and that program dollars are used to further support community development activities.

The $45 million awarded to banks in FY 2000 is actually a small percentage of the total amount of community development finance and related activities undertaken by them during the assessment period. In FY 2000, BEA awardees provided a total of $244 million in loans and investments to CDFIs and a total of $1.13 billion in loans, investments and services to distressed communities.

FY 2000 BEA Awardee Activities



Of the 159 respondents to the survey, 132 entered into 480 CDFI partnerships. The awardees indicated that they had not previously provided as great a level of assistance to 135 of these CDFIs, and had not previously provided any assistance to another 269. Accordingly, 84% of the CDFIs assisted by these 132 awardees received new forms of assistance or greater levels of support from their bank partners.

Much of the increase in CDFI related activities by banks and thrifts can be directly attributable to the BEA program. Fifty-five percent of the awardees reported that the prospect of a BEA program award caused them to spend more time cultivating relationships with CDFIs than they would have otherwise. A majority of respondents also reported that they were able to offer financial products that they otherwise would not have been able to do. Examples include loans with more favorable rates and terms, below market rate deposits, and new products such as participating loans and pre-development grants. Only 13% of the awardees reported that their CDFI-related activities would have been undertaken regardless of the BEA program.

Of those respondents that have either earmarked or spent their BEA program dollars, 91% report that they intend to use the award to fund additional community development activities. This is a desirable outcome given that awardees are under no obligation to reinvest their BEA program award funds in community development activities.

NEW MARKETS TAX CREDIT PROGRAM

On December 21, 2000, the Community Renewal Tax Relief Act of 2000 was signed into law. This landmark legislation includes the New Markets Tax Credit, which will spur the investment of $15 billion in new private capital into a range of privately managed investment vehicles that will make loans and equity investments in New Markets businesses.

By making an equity investment in an eligible "community development entity" (CDE), individual and corporate investors can receive a New Markets Tax Credit (NMTC) worth more than 30 percent of the amount invested over the life of the credit, on a present value basis. The credit is claimed over a seven-year period. Substantially all of the qualified equity investment must in turn be used by the CDE in support of business activities in low-income communities. Investors may not redeem their investments in the CDE prior to the conclusion of the seven-year period, thus ensuring a flow of capital that will help to stimulate new industries and entrepreneurs, develop commercial facilities, diversify the local economy, and generate new jobs.

NMTCs will be allocated annually by the Fund to CDEs under a competitive application process. Eligible CDEs include for-profit community development financial institutions (CDFIs), for-profit subsidiaries of community development corporations, SBA-licensed New Markets Venture Capital companies, and Specialized Small Business Investment Companies. To be certified as a CDE, an entity must be a domestic corporation or partnership that: 1) has a primary mission of serving, or providing investment capital for, low-income communities or low-income persons; and 2) maintains accountability to residents of low-income communities.

To expedite the allocation process for calendar year 2002 so that the process for certifying CDEs will not delay the allocation of tax credits, the Fund began accepting applications in December 2001, from organizations wishing to be certified as CDEs.

The Fund anticipates publishing its first NMTC Notice of Allocation Availability (NOAA) early in calendar year 2002. This NOAA will invite CDEs to compete for tax credit allocations during calendar year 2002 in support of an aggregate total of $2.5 billion in qualifying equity investments into CDEs.

NATIVE AMERICAN LENDING STUDY

In the Community Development Banking and Financial Institutions Act of 1994, Congress found that many of the Nation's urban, rural and Native American communities face critical social and economic problems arising in part from the lack of economic growth, people living in poverty, and the lack of employment and other economic opportunities. Indeed, many communities located in Indian Lands face economic and social challenges that place them significantly behind the rest of the U.S. economy. This legislation required the CDFI Fund to conduct a study of lending and investment practices on Indian reservation and other lands held in trust by the US. The purpose of the study was to identify barriers to private financing on such lands and identify the impact of such barriers on accessing capital and credit for Native American, Alaska Native and Native Hawaiian populations.

The study was conducted from FY 1999 through FY 2001. It was designed to produce a broad qualitative review of the state of lending and investment on Indian Lands and Hawaiian Home Lands. To perform the study the Fund convened 13 regional and two national workshops involving Tribal leaders and economic development professionals, Native American and Native Hawaiian business people, private investors and bankers, federal and state government officials and other stakeholders. Participants discussed the major barriers to Native American and Native Hawaiian access to capital and developed strategies and actions to overcome these barriers.

In addition to workshops, the Fund conducted a financial survey of Tribal government housing and economic development directors and private service organizations located on or near Indian Lands, to identify the barriers to lending and providing financial services on Indian and Hawaiian Home Lands.

Some examples of the difficulty in obtaining access to capital and financial services were provided by respondents to the financial survey as follows:

- 65% of the respondents to the survey reported that conventional mortgages were difficult or impossible to obtain;
- Business loans were rated as impossible to obtain by 24% of respondents and as difficult to obtain by 37% of the respondents;
- Larger business loans (over $100,000) were rated as either difficult or impossible to obtain by 67% of respondents; and
- Private equity investments were rated as either difficult or impossible to obtain by 66% of all respondents.

Research by the Fund supports these assertions: the Fund's Equity Research Report estimates that the investment gap between Native American and Native Hawaiian economies and the United States overall totals $44 billion.

Study Results

The study identified 17 National barriers to capital access relating to the following areas:

- Legal Infrastructure
- Federal and Indian Tribal operations
- Capital Access
- Financial and Physical Infrastructure
- Education and Cultural

For each barrier identified the study also identified at least one potential remedy. The study includes next step initiatives for each of the stakeholders in the process. Examples of these initiatives include reaching out to federal agencies and private financial organizations to explore options and feasibility of establishing a public-private equity fund and working with bank regulators and lending institutions to see how banking services can be improved on Indian reservations and Alaska Native villages. Improvement of banking services may include exploring alternatives for bank underwriting criteria and the establishment of additional financial institutions in reservations and villages. Tribal governments were encouraged to codify or adopt local commercial codes, zoning and planning codes and laws generally regulating corporate activity. As a result of the study, the Fund established its Native American CDFI Technical Assistance program to create financial institutions and increase the local capacity within these communities.

A copy of the final Native American Lending Study report can be found at the following web address: www.cdfifund.gov/docs/2001_nacta_lending_study.pdf

POLICY AND RESEARCH INITIATIVES

The Fund represents one of the largest single sources of capital and technical assistance funds available to established and emerging CDFIs. As such, the Fund's policy and research agenda plays a vital role in building the CDFI industry. The Policy and Research Unit of the CDFI Fund collects and disseminates data on Fund awardees and facilitates the development of CDFI industry-wide-research initiatives.

Beginning in FY 1999, the Policy and-Research Unit has conducted an annual survey of organizations receiving prior year awards from the Fund's Core component of the CDFI program. In FY 2001 the unit began collecting information from Bank Enterprise Award program awardees. The results of these surveys can be found in the "Community Development Financial Institutions Program" and "Bank Enterprise Award Program" sections of this discussion and analysis.

During FY 2000, the Fund became part of a collaborative initiative to develop a common set of CDFI industry data. This section discusses the status of the CDFI Data Project.

CDFI Data Project

The CDFI Data Project (CDP) is a collaborative initiative that has created a data collection and management system to produce high quality, comprehensive data for the community development finance industry. In FY 2001, its first year of implementation, the CDP collected information from 379 CDFIs including 122 Core awardees. This is by far the largest database of CDFIs in the country, both in terms of the number of institutions represented and the range of information provided.

The goals of the CDP are to:

- Increase research and analysis of CDFIs by making standard data available to support such research;
- Promote best practices by helping CDFIs assess their own performance against their peers;
- Encourage increased investment in CDFIs by providing the information potential investors need to make informed decisions; and
- Reduce the reporting burden on CDFIs by inviting additional funders and investors to participate, all of which will accept the same data for their reporting requirements.

Among the many challenges the CDP faced was the diversity of the community development finance field. CDFIs include many different types of institutions -- for profit and non-profit, regulated and unregulated, depository and non-depository, lenders and venture capitalists – targeting different sectors – consumers, business, housing, and facilities. The CDP defined a standard set of data that was collected from all institutions regardless of type. The resulting database allows for meaningful analysis among peer groups and across institution types.

Since 1999 when the CDP began, the CDFI Fund has played an integral role, both as a funder and a data collector. It is the only federal agency among the 13 participating entities. The others include private foundations, every major trade association in the industry, and other key players.

STATUS OF FINANCIAL MANAGEMENT

This section includes the assurance statement required under the Federal Managers' Financial Integrity Act, a summary of the results of the FY 2001 financial statement audit, a summary of the financial management initiatives of the Fund during FY 2001, and a discussion of our financial position and results of operations during the past fiscal year.

Federal Managers' Financial Integrity Act Annual Assurance Statement

Department of the Treasury
Community Development Financial Institutions Fund
Annual Assurance Statement for FY 2001

As the Director of the Community Development Financial Institutions Fund, I have established internal controls that enable me to provide reasonable assurance that laws and regulations are followed; programs achieve their intended results free from waste and mismanagement; and resources are used consistently with our overall mission. Furthermore, continuity of operations planning in critical areas is sufficient to reduce risk to a reasonable level. With the exception of certain Bank Enterprise Award performance information provided by program awardees, performance data is reliable. I base my assurance on internal evaluations, management assessments and the results of our current and prior year financial statement audits. Also, I can provide reasonable assurance that the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act were achieved.

In addition, the Fund substantially complies with the requirements of the Federal Financial Management Improvement Act. The Fund's financial management systems substantially comply with the federal financial management systems requirements, applicable accounting standards, and use the United States Standard General Ledger at the transaction level.

Tony T. Brown
Director

Description of the CDFI Fund Financial Management System

Since the inception of the Fund, accounting services have been contracted under a franchise agreement to the Bureau of the Public Debt's Administrative Resource Center (ARC) in Parkersburg, West Virginia. While the ARC maintains the accounting system relating to the Fund's transactions, the Fund is responsible for generation of all source documents and the accuracy of all accounting information.

The Fund's Financial Management System includes the records and transactions maintained by ARC in their Federal Financial System (FFS), as well as procedures performed by the Fund's financial management staff in Washington, D.C. The Fund's financial management staff is directly responsible for the administrative control of its funds; financial planning, budget formulation, and execution; and review and analysis of financial information.

Results of FY 2001 Financial Statement Audit

The Fund received an unqualified opinion on its FY 2001 financial statements. In addition, the auditors did not identify any material weaknesses, reportable conditions, nor any areas of non-compliance with laws and regulations.

FY 2001 Financial Management

Information Technology (IT)

The Fund's major financial management initiative consisted of its "electronic handbooks" project. The objective of this project is to enable Fund applicants to submit their application for an award on-line, which will save applicants time in preparing the application, reduce delays in transmitting this information to the Fund, and enable the Fund to compile and monitor application information electronically.

During FY 2001 the Fund completed the first two phases of this system. Phase I related to the gathering of requirements for the system, while Phase II pertained to obtaining approval for all requirements. Phase III, which relates to bringing the system on-line, was completed during FY 2001 as it relates to the Core and SECA components and moved to a pilot phase during the first quarter of FY 2002. Under the pilot phase certain applicants for CDFI awards were given the opportunity to submit their applications on-line. Other aspects of the electronic handbooks system will be implemented as follows:

- A process for tracking the status of all applications starting from the time the applications are received through award selection and subsequent monitoring of award compliance, will be completed during the end of the second quarter of FY 2002;
- The system will be used for the New Markets Tax Credit Program by the end of FY 2002; and
- All remaining Fund programs will be handled under this system by the end of FY 2003.

Management Responsibilities

CDFI Fund management is responsible for the fair presentation of information contained in the principal financial statements in conformity with generally accepted accounting principles. Management is also responsible for the fair presentation of the Fund's performance measures in accordance with the Office of Management and Budget requirements. The quality of the Fund's internal control structure rests with management, as does the responsibility for identification of and compliance with applicable laws and regulations.

Limitations of the Financial Statements

The financial statements included as part of this report present the financial position and results of operations of the Community Development Financial Institutions Fund for the years ended September 30, 2001, and 2000 in conformity with generally accepted accounting principles. The statements are different from the financial reports used to monitor and control budgetary resources that are prepared from the same records and are subsequently presented in federal budget documents. Therefore, readers are advised that direct comparisons are not possible between figures found in the financial statements and similar financial concepts found in the FY 2001 Budget of the United States Government.

Analysis of Financial Position and Results of Operations

Summarized Financial Data
(amounts in millions)

	2001	2000
Assets	$231	$216
Liabilities	$84	$72
Net Position	$147	$143
Revenue and Financing Sources	$111	$104
Expenses	$112	$105
(Shortage) of Revenue and Financing Sources Over Expenses *	($3)	($2)

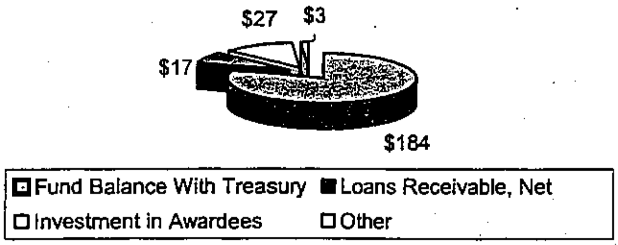
* - with the exception of this line item, all other amounts are rounded to the nearest $1 million since amounts less than this are not considered significant.

Assets increased during the year from $216 million to $231 million. This $15 million increase results from net cash flow from financing activities of $118 million (consisting principally of appropriations received) exceeding net cash used in operations of $102 million. This resulted in a $5 million increase in fund balance with Treasury, a $6 million increase in loans receivable (net), a $2 million increase in investments, and a $2 million increase in advances and prepayments.

The allocation of CDFI program awards for loans, investments, and grants during any given year is based primarily on the type of matching funds an awardee is able to obtain. Accordingly, while it's expected that the amount of loans receivable and investments will increase annually, the specific amount of the increase is outside the control of the Fund. In addition, most of the loans made by the Fund do not require annual principal payments (most require payment of principal at loan maturity); accordingly, the amount of loan awards made by the Fund on an annual basis will exceed the amount of principal repayments required on existing loans. Therefore, the Fund's loan portfolio increased this past year and should continue to do so.

Appropriations received are used to fund the payment of administrative costs and the undisbursed balances of prior year awards. Since most awards are determined very late in the fiscal year, current year appropriations are rarely used for current year awards. Accordingly, to the extent that cash received from appropriations is not used to fund administrative costs and the payment of prior year awards, the undisbursed balance remains in fund balance with Treasury.

Allocation of Fund Assets
September 30, 2001
(amounts in millions)



The increase in liabilities during the year of approximately $12 million consisted primarily of an increase in awards payable of $7 million, an increase in long-term debt of $3 million and an increase in accounts payable of $2 million.

The increase in awards payable relates to awards under the Fund's Bank Enterprise Awards (BEA) program. Under this program, amounts awarded are considered liabilities (and expensed) at the time an award is obligated by Fund management. Annual amounts awarded under this program have increased significantly over the past several years, from $17 million in FY 1997 to $48 million in FY 2001. BEA awards are disbursed over a period of several years, and since amounts awarded each year are in excess of amounts disbursed each year, the liability balance has increased each year. Due to reduced funding to be provided for this program in FY 2002 and FY 2003, this trend of an increase in BEA liabilities will most likely significantly slow, or reverse, beginning next fiscal year.

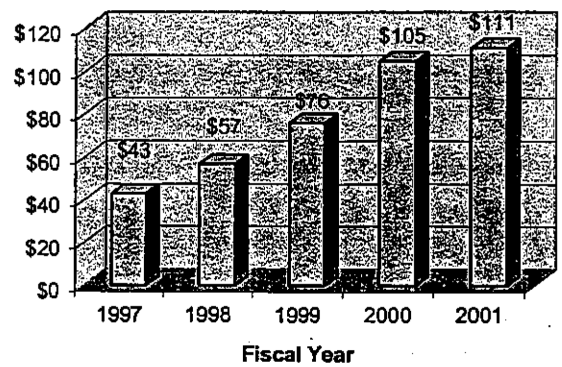
Amounts are borrowed from the Treasury Department to fund the portion of loan awards not funded from appropriations. Since loans receivable increased during the year, long-term debt also increased.

Net Position

Net position will change during the year for two reasons: 1) to the extent that revenue and financing sources exceed expenses, and 2) due to the excess of appropriations received over appropriations used. During FY 2001, expenses exceeded revenue and financing sources by $.3 million. Net appropriations received during the year (total appropriations received less amounts cancelled and rescinded were $115 million) exceeded appropriations used ($110 million) by $4.3 million. Accordingly, net position increased by $4.0 million.

Revenue and Financing Sources, Expenses, and Shortage of Revenue and Financing Sources Over Expenses

Revenue and Financing Sources
(amounts in millions)



Expenses for the year ended September 30, 2001, were approximately $7 million higher than the previous year. A little over $5 million of this increase relates to grant expenses. As stated above, awards under the BEA program are expensed when obligated (awarded), and amounts obligated during FY 2001 were $2 million higher than the prior year. CDFI program grant expenses were approximately $4 million higher than the prior year because a larger amount was disbursed to grantees in FY 2001 than in FY 2000 (under the CDFI program, amounts are expensed when matching funds are obtained by the grantee and verified by the Fund, which is shortly before related grant funds are disbursed).

Bad debt expense increased by approximately $1 million compared to the prior year, due to the increase in loans receivable. FY 2001 administrative expenses were higher than the prior year due to funding the electronic handbook initiative discussed above, and due to the hiring of additional employees starting in late FY 2000 required to staff the Fund's Compliance and Monitoring division.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Financial Statements

September 30, 2001 and 2000

(With Independent Auditors' Report Thereon)

2001 M Street, N.W.
Washington, DC 20036

Independent Auditors' Report on the Financial Statements

The Inspector General, U.S. Department of the Treasury, and
Director, Community Development Financial Institutions Fund:

We have audited the accompanying statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (the Fund) as of September 30, 2001 and 2000, and the related statements of operations and changes in net position, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund at September 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 14, 2001 on our consideration of the Fund's internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information preceding the financial statements, and presented in the appendices, is not a required part of the financial statements. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

KPMG LLP

December 14, 2001

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Internal Control over Financial Reporting

The Inspector General, U.S. Department of the Treasury, and
Director, Community Development Financial Institutions Fund:

We have audited the financial statements of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (the Fund) as of and for the year ended September 30, 2001 and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the Fund's internal control over financial reporting by obtaining an understanding of the Fund's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02, as applicable to the Fund, and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers Financial Integrity Act of 1982. The objective of our audit was not to provide assurance on the Fund's internal control over financial reporting. Consequently, we do not provide an opinion on internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses, under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

KPMG

However, we noted other matters involving internal control and its operation that we have reported to the management of the Fund in a separate letter dated December 14, 2001.

This report is intended solely for the information and use of the Fund's management, the U.S. Department of the Treasury's Office of Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 14, 2001

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Compliance with Laws and Regulations

The Inspector General, U.S. Department of the Treasury, and
Director, Community Development Financial Institutions Fund:

We have audited the financial statements of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (the Fund) as of and for the year ended September 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the Fund is responsible for complying with laws and regulations applicable to the entity. As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to the provisions described in the preceding sentence, and did not test compliance with all laws and regulations applicable to the Fund. Providing an opinion on compliance with laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph of this report, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to perform tests of compliance with FFMIA section 803(a) requirements, which indicate whether the Fund's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level. The results of our tests disclosed no instances in which the Fund's financial management systems did not substantially comply with the three requirements discussed in the preceding sentence.

This report is intended solely for the information and use of the Fund's management, the U.S. Department of the Treasury Office of the Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 14, 2001

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COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Statements of Financial Position

As of September 30, 2001 and 2000

Assets		2001	2000
Current assets:			
Fund balance with Treasury (note 2)	$	184,122,672	178,442,285
Advances and prepayments		3,236,647	1,570,255
Loans receivable, net of allowance for bad debts of $200,000		600,000	—
Interest receivable		133,480	48,504
Total current assets		188,092,799	180,061,044
Long-term assets:			
Loans receivable, net of allowance for bad debts of $5,525,479 in 2001 and $3,753,889 in 2000		16,576,439	11,261,668
Investments (note 3)		26,783,386	24,323,347
Total long-term assets		43,359,825	35,585,015
Total assets	$	231,452,624	215,646,059
Liabilities and Net Position			
Current liabilities:			
Accounts payable	$	728,567	726,203
Awards payable		46,619,772	44,498,396
Accrued payroll		325,957	322,625
Accrued annual leave		249,496	272,251
Total current liabilities		47,923,792	45,819,475
Long-term liabilities:			
Debt (note 4)		18,168,568	14,971,707
Awards payable		18,094,366	11,610,984
Total long-term liabilities		36,262,934	26,582,691
Total liabilities		84,186,726	72,402,166
Commitments (note 5)			
Net position (note 6)		147,265,898	143,243,893
Total liabilities and net position	$	231,452,624	215,646,059

The accompanying notes are an integral part of these statements.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Statements of Operations and Changes in Net Position

Years Ended September 30, 2001 and 2000

		2001	2000
Revenue and financing sources:			
Appropriated capital used	$	110,470,623	103,799,441
Interest, non-federal		318,581	179,488
Interest, federal		380,813	485,449
Dividends		58,592	20,864
Total revenue and financing sources		111,228,609	104,485,242
Expenses:			
CDFI grants		52,854,343	48,903,531
BEA grants		46,452,604	44,867,389
Native American Lending Study		306,481	787,638
Administrative		8,862,850	8,190,465
Bad debt expense		1,971,590	1,016,927
Total operating expenses		110,447,868	103,765,950
Federal Financing Bank/Treasury borrowing interest		1,061,253	945,739
Other Interest		762	1,820
Total expenses		111,509,883	104,713,509
Shortage of revenue and financing sources over expenses	$	(281,274)	(228,267)
Changes in Net Position:			
Net position, beginning of year	$	143,243,893	131,728,098
Shortage of revenue and financing sources over expenses		(281,274)	(228,267)
Other changes (note 7)		4,303,279	11,744,062
Net position, end of year	$	147,265,898	143,243,893

The accompanying notes are an integral part of these statements.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Statements of Cash Flows

Years Ended September 30, 2001 and 2000

		2001	2000
Cash flows from operating activities:			
Shortage of revenue and financing sources over expenses	$	(281,274)	(228,267)
Adjustments affecting cash flow:			
Appropriated capital used		(110,470,623)	(103,799,441)
(Increase) decrease in advances and prepayments		(1,666,392)	928,471
Increase in interest receivable		(84,976)	(14,650)
Increase in allowance for bad debts		1,971,590	1,016,854
Increase (decrease) in accounts payable and accrued payroll		5,696	(169,763)
Increase in awards payable		8,604,758	13,246,128
(Decrease) increase in accrued annual leave		(22,755)	56,051
Net cash used by operating activities		(101,943,976)	(88,964,617)
Cash flows from investing activities:			
Investments in awardees		(2,460,039)	(5,939,900)
Loans disbursed		(8,010,000)	(4,128,541)
Collection of loan principal		123,639	61,126
Net cash used by investing activities		(10,346,400)	(10,007,315)
Cash flows from financing activities:			
Appropriations received		118,000,000	95,543,503
Appropriations cancelled		(2,963,098)	—
Appropriations Rescinded		(260,000)	—
Appropriations Transferred (Out) in		(3,000)	20,000,000
Borrowings from Treasury		3,435,945	6,922,680
Repayments to Treasury		(239,084)	(520,912)
Net cash provided by financing activities		117,970,763	121,945,271
Net change in Fund balance with Treasury		5,680,387	22,973,339
Fund balance with Treasury, beginning of year		178,442,285	155,468,946
Fund balance with Treasury, end of year	$	184,122,672	178,442,285
Supplemental disclosure - interest paid	$	1,062,015	947,559

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

Community Development Financial Institutions Fund (the Fund) has historically prepared its financial statements- in accordance with generally accepted accounting principles, based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. In October 1999, the Federal Accounting Standards Advisory Board (FASAB) was designated by the American Institute of Certified Public Accountants (AICPA) as the standards-setting body for financial statements of federal government entities, with respect to the establishment of generally accepted accounting principles. FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in accordance with generally accepted accounting principles for those federal entities, such as the Fund that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, the Fund financial statements are presented in accordance with accounting standards published by the FASB.

(b) Reporting Entity

The Fund was created as a bipartisan initiative in the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law No. 103-325). The Fund was originally created to be a separate, independent wholly owned government corporation subject to the audit and reporting requirements of the Government Corporation Control Act. However, The Fund was placed in the Department of the Treasury and began operations on July 27, 1995.

The Fund operates various programs aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities. The Fund is intended to help create a national network of financial institutions dedicated to community development that leverages private resources (financial and human) to address community development needs.

The Fund operates two major programs, the Community Development Financial Institutions (CDFI) Program and the Bank Enterprise Awards (BEA) Program. The CDFI Program uses limited public resources to invest in private, for-profit and non-profit financial institutions. This investment helps build the capacity of local CDFIs by leveraging large amounts of private capital and builds on private sector talent, creativity, and leadership. CDFI program awards may take the form of grants, direct loans, equity investments, or technical assistance to eligible financial institutions.

The Bank Enterprise Awards (BEA) Program provides incentives to insured depository institutions (banks and thrifts) to invest in CDFIs and to increase their lending and financial services in distressed communities. Program participants are selected based on projected achievements. The awards are disbursed only after the activities have been implemented successfully, to ensure that only completed activities are recognized and that the Fund's limited dollars are effectively leveraged with private capital.

(Continued)

(c) ***Fund Balance with Treasury***

The Fund does not maintain cash in commercial bank accounts. The U.S. Department of the Treasury (Treasury Department) processes cash receipts and disbursements. Fund Balance with Treasury is comprised primarily of appropriated and borrowed funds (financing and program accounts) which are available to pay liabilities and finance authorized award and purchase commitments.

(d) ***Loans Receivable***

The Fund provides assistance by making direct loans to certain CDFI Program awardees. Loans are reported as receivables when disbursed, reduced by a 25% default allowance. The Office of Management and Budget negotiated a 25% default allowance with the Fund to estimate future losses if adequate historical information is not available. Historical information is not available, and will not be available for some time due to the following: 1) the short length of time the loans have been outstanding; and 2) the majority of loans made by the Fund require either balloon payments at maturity, or principal payments commencing shortly before the maturity date. The earliest maturity date for repayment is the year 2002; therefore, there have not been any write-offs to date.

(e) ***Interest Receivable***

Interest income is accrued on the outstanding loan receivable principal balances at the rate stated in the promissory notes.

(f) ***Investments***

The Fund provides assistance to certain for-profit CDFI program awardees by purchasing non-voting equity and convertible debt securities and to Federal credit union awardees by purchasing certificates of deposit. Investments in CDFI program and Federal credit union awardees are stated at fair value. The fair values have generally been estimated by the Fund's management in the absence of readily ascertainable market values. Among the factors considered by the Fund in determining the fair value of investments are the cost of the investment, developments since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business, recent share prices paid, and other factors generally pertinent to the valuation of investments. The Fund, in making its evaluation, has relied on financial data of awardees and, in many instances, on estimates by the management of the awardees as to the potential effect of future developments.

The Fund is restricted from owning more than 50% of the equity of awardees and from controlling their operations. The Fund considers convertible subordinated debentures to be equity investments because they exhibit sufficient characteristics of equity securities. For example, convertible subordinated debentures entitle the Fund to any dividends in the non-voting common stock into which it is convertible as if the Fund had converted the debentures into such stock prior to the declaration of the dividend.

(g) ***Property and Equipment***

Administrative offices are located in office space leased through the General Services Administration. GSA charges the Fund rent that approximates the commercial rental for similar properties. Equipment purchased, transferred or donated with a cost greater than or equal to $50,000 per unit and a useful life of two years or more is capitalized at cost and depreciated. Other equipment is expensed when purchased. The Fund had no capitalizable equipment or other property as of September 30, 2001. Normal maintenance and repairs are expensed as incurred.

(h) ***Awards Payable***

CDFI Program grant expense is recognized and awards payable are recorded when the fund is made aware, in writing, that the awardee has met the conditions required for payment and the Fund approves a grant disbursement to be made. BEA Program grant expense is recognized and awards payable are recorded when the Fund approves the BEA award to be made (i.e. at the time the funds are obligated).

The current and long-term portions of awards payable represent amounts estimated to be paid within the next twelve months (current portion) and thereafter (long-term portion) based on prior award payment experience.

(i) ***Retirement Plans***

CDFI Fund employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984, were provided an opportunity to join either FERS and Social Security or remain in CSRS.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established, and the Fund makes a mandatory 1% contribution to this account. In addition, the Fund makes matching contributions ranging from 1 to 4% for FERS eligible employees who contribute to their TSP account. Matching contributions are not made to the TSP accounts established by CSRS employees.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program for retirement. In these instances, the Fund remits the employer's share of the required contribution. For CDFI Fund employees participating in CSRS, the Fund makes matching contributions to CSRS equal to 8.51% of base pay.

(j) ***Annual, Sick and Other Leave***

Annual leave and compensatory leave is accrued as a liability when earned by the employee, and the accrual is reduced as leave is taken. The balance in this accrued liability account is computed using current pay rates. Sick leave and other types of non-vested leave are expensed as the leave is taken.

(k) ***Debt***

Debt represents borrowings payable to the Treasury Department which were made to fund direct loans made by the CDFI Program. Principal repayments to the Treasury Department are required to be made based on the collections of loans receivable.

(l) ***Contingencies***

The Fund may be a party in various administrative proceedings, legal actions, and claims brought by or against it. The Fund's management and legal counsel are unaware of any contingencies that would materially affect the Fund's financial position or results of operations.

(m) ***Revenue and Financing Sources***

The Fund receives the majority of its funding through appropriations from the U.S. Congress. The Fund receives two-year appropriations that may be used, within statutory limits, for operating expenses. Appropriations are recognized as revenues at the time the Fund's grants are recorded as liabilities, and when administrative expenses and provision for bad debts covered by budgetary resources are incurred.

Occasionally, the Fund receives dividends on its equity investments and may use those funds for operating expenses. Additional revenue is obtained from interest received on direct loans to the public and on uninvested funds in the direct loan financing account held by the Treasury Department.

(n) ***Tax Status***

The Fund, as a government corporation, is not subject to federal, state, or local income taxes and, accordingly, no provision for income tax is recorded.

(o) ***Use of Estimates***

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

(2) **Fund Balance with Treasury**

Fund balance with Treasury as of September 30, 2001 and 2000 consisted of the following components:

		2001	2000
Available	$	4,981,079	173,536
Obligated		177,158,319	176,336,694
Expired		1,983,274	1,932,055
	$	184,122,672	178,442,285

Fund balance with Treasury includes appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments.

(3) **Investments**

Investments relate to capital provided to CDFI Program awardees. The Fund is prohibited from owning more than a 50 percent interest in any awardee, and controlling the operations of any awardee.

Investments consist of the following as of September 30, 2001 and 2000:

		2001	2000
Non-voting equity securities	$	19,519,504	18,209,465
Convertible debt securities		2,573,882	2,573,882
Limited partnership interest		2,000,000	2,000,000
Secondary Capital Securities		1,150,000	—
Certificates of deposit		1,540,000	1,540,000
	$	26,783,386	24,323,347

Non-voting equity securities consist of non-voting common stock held in for-profit CDFI Program awardees (preferred non-voting stock is held in one awardee).

Debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2001 and 2000 one debenture was valued at $2 million and matures January 2048 with the option to convert into 200,000 shares of non-voting class B common stock at a $10 per share conversion price. The other was valued at $573,882 to mature December 2013 with an option to convert to 1,434,706 shares of non-voting class E common stock.

The Limited Partnership interest consists of a Class B limited partnership interest in Sustainable Jobs Fund, LP.

Secondary capital Securities consists of investments in three awardees subject to the following terms: 1) the investments cannot be redeemed prior to April 2021 for one investment, not prior to May 2008 for the second investment and not prior to July 2009 for the third investment; and 2) any interest earned on the investments can be used by the awardee to fund certain operating expenses. Accordingly, the Fund does not accrue interest income on these investments.

Certificates of deposits are investments in federal credit union awardees, and have interest rates ranging from 0 percent to 5 percent.

(4) Debt

Debt consists of amounts borrowed from the Treasury Department and included the following activity:

		2001	2000
Beginning balance	$	14,971,707	8,569,939
New borrowings		3,435,945	6,922,680
Repayments		(239,084)	(520,912)
Ending balance	$	18,168,568	14,971,707

As of September 30, 2001, principal repayments of debt due in each of the following five years and thereafter was as follows:

2002	$	—
2003		200,949
2004		4,481
2005		—
2006		—
Thereafter		17,963,138
	$	18,168,568

During fiscal year 2001, the Fund borrowed $3,067,896 to finance current year direct loan commitments and $368,049 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 4.76% to 5.75%, depending on maturity dates. Principal of $239,084 was repaid based on collection of direct loans receivable and a deobligation of a previous loan obligation.

During fiscal year 2000, the Fund borrowed $6,769,268 to finance current year direct loan commitments and $153,412 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 6.36% to 6.40%, depending on maturity dates. Principal of $520,912 was repaid based on collection of direct loans receivable and deobligation of a previous loan obligation and a direct loan subsidy reestimate in the fiscal year 1996 cohort.

Interest paid during FY 2001 and FY 2000 was $1,062,015 and $947,559, respectively.

(5) Commitments

(a) Operating Leases

The Fund leases office space from the General Services Administration in the Homer Building located in Washington DC under the terms of an operating lease which expires in January 2007. The Fund also leased equipment under the terms of an operating lease, which expired during Fiscal Year 2001. The total operating lease expense was $ 824,883 and $675,646 for the year ended September 30, 2001 and 2000, respectively.

Future minimum payments due under these operating leases as of September 2001 were as follows:

Fiscal year	Minimum lease payments
2002	$ 1,236,263
2003	1,243,021
2004	1,243,021
2005	1,243,021
2006	1,243,021
Thereafter	318,038
	6,526,385

(b) Award and Purchase Commitments

As of September 30, 2001 and 2000, award commitments amounted to $126,003,904 and $125,492,450, respectively. Award commitments relate to awards which were approved by Fund management but not disbursed as of the end of the year. Award commitments relating to the CDFI Program are not considered liabilities at year-end because the awardees have not met the conditions required for payment. Purchase commitments were $2,169,112 and $3,221,658 as of September 30, 2001 and 2000, respectively. These commitments relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

(6) Net Position

Net position as of September 30, 2001 and 2000 consisted of the following:

		2001	2000
Unexpended appropriations:			
Unobligated available	$	21,133,977	17,159,718
Unobligated expired		1,983,274	1,932,055
Undelivered orders		98,358,116	103,279,208
Total unexpended appropriations		121,475,367	122,370,981
Cumulative results of operations		25,790,531	20,872,912
	$	147,265,898	143,243,893

(7) Other Changes in Net Position

Other changes in net position for the years ended September 30, 2001 and 2000 were as follows:

		2001	2000
Increase:			
Appropriations received	$	118,000,000	95,543,503
Appropriation transfers-in		—	20,000,000
Decrease:			—
Appropriation Cancelled		(2,963,098)	—
Appropriation Rescinded		(260,000)	—
Appropriation Transfer		(3,000)	—
Appropriation Used		(110,470,623)	(103,799,441)
Total other changes in net position	$	4,303,279	11,744,062

FY 2001 CDFI Fund Award Activities

STATE	Number of Certified CDFIs	Number of Core and Intermediary Awardees	Amount of Core and Intermediary Awards	Number of SECA Awardees	Amount of SECA Awards	Number of BEA Awardees	Amount of BEA Awards	Number of All Awardees	TOTAL Amount of All Awards
Alabama	4	1	$95,000	2	$240,000	2	$246,350	5	*$581,350*
Alaska	4			1	$200,000			1	*$200,000*
Arizona	5					2	$55,825	2	*$55,825*
Arkansas	6	1	$1,250,000			11	$3,398,373	12	*$4,648,373*
California	29	5	$5,250,000	2	$382,000	11	$4,481,646	18	*$10,113,646*
Colorado	10	1	$1,000,000			2	$1,111,000	3	*$2,111,000*
Connecticut	8	1	$270,000	1	$34,500			2	*$304,500*
Delaware	3					3	$351,736	3	*$351,736*
District of Columbia	12	2	$700,000	1	$135,000			3	*$835,000*
Florida	16	3	$3,600,000	4	$569,000	6	$5,449,417	13	*$9,618,417*
Georgia	5	1	$1,500,000			4	$967,992	5	*$2,467,992*
Hawaii	8	1	$1,000,000	2	$83,000			3	*$1,083,000*
Idaho	2			1	$200,000			1	*$200,000*
Illinois	29	1	$700,000	4	$567,000	16	$6,624,762	21	*$7,891,762*
Indiana	4	1	$550,000			2	$660,750	3	*$1,210,750*
Iowa	4	3	$3,490,000	1	$45,000	4	$431,250	8	*$3,966,250*
Kansas	2			1	$200,000	2	$21,010	3	*$221,010*
Kentucky	9	1	$500,000	1	$130,000	10	$1,482,610	12	*$2,112,610*
Louisiana	7					6	$416,938	6	*$416,938*
Maine	6	3	$2,650,000	3	$341,500	3	$225,000	9	*$3,216,500*
Maryland	8			1	$200,000	1	$229,053	2	*$429,053*
Massachusetts	16	3	$5,250,000	3	$414,600			6	*$5,664,600*
Michigan	3								*$0*
Minnesota	16	2	$2,400,000	3	$132,500			5	*$2,532,500*
Mississippi	7					1	$3,750	1	*$3,750*
Missouri	4					2	$996,611	2	*$996,611*
Montana	5			2	$195,300	1	$132,000	3	*$327,300*
Nebraska	2								*$0*
Nevada	1			1	$175,000			1	*$175,000*
New Hampshire	2	1	$2,500,000			2	$1,132,000	3	*$3,632,000*
New Jersey	10			2	$222,500	1	$2,001,020	3	*$2,223,520*
New Mexico	5	2	$1,900,000			1	$146,955	3	*$2,046,955*
New York	60	5	$3,413,000	11	$1,115,000	10	$7,963,623	26	*$12,491,623*
North Carolina	22	3	$1,975,000	3	$381,750	2	$363,000	8	*$2,719,750*
North Dakota	3								*$0*
Ohio	15					3	$831,500	3	*$831,500*
Oklahoma	7					2	$405,000	2	*$405,000*

FY 2001 CDFI Fund Award Activities

STATE	Number of Certified CDFIs	Number of Core and Intermediary Awardees	Amount of Core and Intermediary Awards	Number of SECA Awardees	Amount of SECA Awards	Number of BEA Awardees	Amount of BEA Awards	Number of All Awardees	TOTAL Amount of All Awards
Oregon	7	3	$2,172,000			1	$913,526	4	***$3,085,526***
Pennsylvania	27	4	$4,200,000	3	$120,000	3	$747,096	10	***$5,067,096***
Puerto Rico	2			1	$65,000			1	***$65,000***
Rhode Island	1								***$0***
South Carolina	2								***$0***
South Dakota	5	2	$1,032,000	3	$394,500	10	$301,500	15	***$1,728,000***
Tennessee	6					3	$986,500	3	***$986,500***
Texas	22			6	$631,500	8	$1,400,999	14	***$2,032,499***
Utah	3			1	$196,000			1	***$196,000***
U.S. Virgin Islands	1								***$0***
Vermont	4			2	$120,000			2	***$120,000***
Virginia	12	1	$450,000	4	$513,500			5	***$963,500***
Washington	8			2		2	$911,196	4	***$911,196***
West Virginia	3								***$0***
Wisconsin	5	2	$1,938,000			2	$759,000	4	***$2,697,000***
Wyoming	1								***$0***
	468								
Amounts Awarded to FY 2001 Funding Round Applicants		***53***	***$49,785,000***	***72***	***$8,004,150***	***139***	***$46,148,988***	***264***	***$103,938,138***
Amounts Awarded in FY 2001 To FY 2000 Funding Round Applicants		***8***	***$5,329,400***	***7***	***$429,800***	***6***	***$1,818,353***	***21***	***$7,577,553***
Training Contracts Awarded					***$218,000***				***$218,000***
Total Amounts Funded with FY 2001 Funding		***61***	***$55,114,400***	***79***	***$8,651,950***	***145***	***$47,967,341***	***285***	***$111,733,691***
					Training Contract Awarded Under the Native American CDFI Technical Assistance Program				***$1,500,000***
					Total Amounts Awarded Using FY 2001 Funding				***$113,233,691***

Appendix B

Total Fund Awards From Inception

STATE	CORE and INTERMEDIARY Awards - Inception thru 9/30/01	TA/SECA Awards - Inception thru 9/30/01	BEA Awards Inception thru 9/30/01	TOTAL Awards - Inception thru 9/30/01
Alabama	$145,000	$361,500	$ 321,350.00	$827,850
Alaska	$6,387,500	$306,000	$ -	$6,693,500
Arizona	$4,400,000	$147,458	$ 454,780.00	$5,002,238
Arkansas	$7,200,000	$100,000	$ 3,859,277.00	$11,159,277
California	$31,043,326	$882,112	$ 28,352,045.00	$60,277,483
Colorado	$2,925,000	$1,215,000	$ 1,413,500.00	$5,553,500
Connecticut	$1,758,500	$250,000	$ 56,125.00	$2,064,625
Delaware	$645,000	$28,000	$ 1,276,736.00	$1,949,736
District of Columbia	$2,835,000	$294,500	$ 3,197,954.00	$6,327,454
Florida	$11,230,000	$1,035,950	$ 6,336,066.00	$18,602,016
Georgia	$1,771,000	$25,000	$ 4,339,333.00	$6,135,333
Hawaii	$1,000,000	$375,800	$ 838,949.00	$2,214,749
Idaho	$2,000,000	$200,000	$ -	$2,200,000
Illinois	$22,053,783	$894,700	$ 21,253,687.00	$44,202,170
Indiana	$2,308,000	$84,000	$ 1,328,651.00	$3,720,651
Iowa	$3,490,000	$265,050	$ 453,250.00	$4,208,300
Kansas	$1,903,000	$200,000	$ 984,994.00	$3,087,994
Kentucky	$11,841,500	$405,000	$ 2,982,914.00	$15,229,414
Louisiana	$530,000	$50,000	$ 1,934,109.00	$2,514,109
Maine	$8,260,000	$473,365	$ 1,104,352.00	$9,837,717
Maryland	$13,065,610	$379,246	$ 1,377,654.00	$14,822,510
Massachusetts	$19,603,600	$873,100	$ 1,454,130.00	$15,930,830
Michigan	$4,130,000	$94,000	$ 1,226,686.00	$5,450,686
Minnesota	$10,958,000	$220,000	$ 157,500.00	$11,335,500
Mississippi	$7,777,500	$126,500	$ 390,000.00	$8,294,000
Missouri	$660,000	$99,000	$ 2,269,642.00	$3,028,642
Montana	$460,000	$275,300	$ 297,212.00	$1,032,512
Nebraska	$350,000	$75,000	$ 62,019.00	$487,019
Nevada	$0	$225,000	$0	$225,000

Appendix B

Total Fund Awards From Inception

STATE	CORE and INTERMEDIARY Awards - Inception thru 9/30/01	TA/SECA Awards - Inception thru 9/30/01	BEA Awards - Inception thru 9/30/01	TOTAL Awards - Inception thru 9/30/01
New Hampshire	$7,500,000	$52,000	$ 1,132,000.00	$8,684,000
New Jersey	$8,265,000	$454,975	$ 3,333,630.00	$12,053,605
New Mexico	$3,840,500	$47,000	$ 163,705.00	$4,051,205
New York	$46,806,805	$2,695,158	$ 39,148,915.00	$88,650,878
North Carolina	$19,035,222	$838,959	$ 22,080,674.00	$41,954,855
North Dakota	$635,000	$0	$ -	$635,000
Ohio	$5,065,000	$322,850	$ 3,142,050.00	$8,529,900
Oklahoma	$1,668,500	$0	$ 1,968,680.00	$3,637,180
Oregon	$3,077,000	$88,000	$ 2,682,247.00	$5,847,247
Pennsylvania	$25,938,332	$902,300	$ 1,450,152.00	$28,290,784
Puerto Rico	$300,000	$115,000	$ -	$415,000
Rhode Island	$750,000	$0	$ -	$750,000
South Carolina	$500,000	$68,500	$ 170,197.00	$738,697
South Dakota	$2,892,000	$491,500	$ 367,500.00	$3,751,000
Tennessee	$4,000,000	$0	$ 1,689,629.00	$5,689,629
Texas	$9,835,300	$1,166,450	$ 13,283,082.00	$24,284,832
Utah	$2,000,000	$322,500	$ 120,000.00	$2,442,500
U.S. Virgin Islands	$770,000	$0	$ -	$770,000
Vermont	$6,799,500	$333,000	$ -	$7,132,500
Virginia	$2,200,000	$706,560	$ 11,000.00	$2,917,560
Washington	$5,123,000	$329,500	$ 2,295,626.00	$7,748,126
West Virginia	$270,000	$75,000	$ -	$345,000
Wisconsin	$5,848,000	$101,500	$ 1,465,877.00	$7,415,377
Wyoming	$0	$0	$0	$0
TOTALS	***$337,850,478***	***$19,071,333***	***$182,227,879***	***$539,149,690***

GLOSSARY OF TERMS

Bank
Any organization engaged in any or all of the various functions of banking, i.e., receiving, collecting, transferring, paying, lending, investing, dealing, exchanging, and servicing (safe deposit, custodianship, agency, trusteeship) money and claims to money both domestically and internationally. In its more specific sense, the term bank refers to institutions providing deposit facilities for the general public, including insured depository institutions. Banking institutions may be classified into two broad groups: (1) commercial banks and their central banks; and (2) noncommercial bank institutions. Included in the latter group are such institutions as savings and loan associations, mutual savings banks, and credit unions. These institutions are often referred to as thrift institutions, although commercial banks also provide savings and time deposit accounts.

BEA Program
The Bank Enterprise Award (BEA) Program provides awards to insured depository institutions that increase their level of activities in the form of loans, investments, services, and technical assistance within distressed communities. The program also provides financial assistance to CDFIs through grants, stock purchases, loans, deposits, and other forms of financial and technical assistance. In general, an award is made based on the lender's success in certain BEA Program-qualified activities that were projected in the application for BEA funds. The BEA Program regulations are found at 12 CFR Part 1806.

Capital
In general, the amount invested in a business, which may include, among other things, owner's equity, the total assets of the business, credit or funds available for investment or funds invested in a business, and the total of corporate stock.

CDFI
Community Development Financial Institution – a nongovernmental entity that meets the following eligibility criteria and is certified by the CDFI Fund as such: (i) it must have a primary mission of promoting community development; (ii) it must serve an eligible investment area or targeted population; (iii) its predominant business activity must be the provision of loans or certain equity investments; (iv) in conjunction with its loans or development investments, it must provide activities and services that promote community development (financial management technical assistance, financial or credit counseling, for example); and (v) it must maintain accountability to residents of the investment area or targeted population through representation on its governing board. Certain additional eligibility criteria apply if the entity is a depository institution holding company or an insured depository institution. The CDFI Fund's requirements for CDFI certification and eligibility are found at 12 CFR 1805.200.

CDFI Fund
A wholly owned government corporation in the Department of the Treasury, created to promote economic revitalization and community development through investment in and assistance to CDFIs, including enhancing their liquidity. It was created by, and has the specific legal duties and responsibilities specified in, the Riegle Community Development and Regulatory Improvement Act of 1994.

Distressed Community
For the CDFI Program, a group of people living within a geographic area (or areas), including an Indian reservation, that meet certain criteria of economic distress. Determining factors include the percentage of the population living in poverty, median family income levels, unemployment rates, the percentage of occupied substandard housing, and/or the level of an area's population loss.

For the BEA Program, a group of people living within a geographic area (or areas), including an Indian reservation, that meet certain criteria of economic distress. Determining factors include the percentage of the population living in poverty and rates of unemployment.

Equity
The raising of capital by a corporation issuing or selling its stock (in contrast with "debt," which is the raising of capital by issuing bonds or borrowing money).

Financial Services Organization (FSO)
A financial institution that provides a variety of financial services to the public. Under the CDFI and BEA Programs, financial services are defined to include check-cashing, providing money orders and certified

checks, automated teller machines, safe deposit boxes, and other comparable services to low- and moderate-income people in distressed communities or enterprises integrally involved with the distressed community.

Intermediary CDFI
A CDFI meeting the criteria for certification (see CDFI) that provides financing primarily to other CDFIs and supports the formation of other CDFIs. These Intermediary CDFIs play a critical role in providing financial and technical assistance to CDFIs and CDFIs in formation, especially those that are new, small, or geographically isolated.

Microenterprise
A sole proprietorship, partnership, family business, or incorporated entity that has no more than five employees, including the owner(s), does not generally have access to the commercial banking sector, and has use for and/or seeks a loan of $25,000 or less.

Microenterprise Development
Activities to support or strengthen microenterprises, including the provision of credit, training, counseling, and technical assistance.

Round
Each application and award is identified with a funding round that corresponds to the year a Notice of Awards Availability (NOFA) is issued. For example, the Fund issued three NOFAs that are identified as the 1996 Round, the 1997 Round, and the 1998 Round. A round is not tied to one fiscal year or one calendar year. In other words, the Fund may make awards and obligations for a round in the fiscal year after the issuance of the NOFA, and obligations may be incurred in more than one appropriation and operating level for a given round.

Technical Assistance
Activities that enhance the capacity of an organization to carry out its business and purpose, such as training of management and other personnel; developing programs and loan or investment loan products; improving financial management and internal operations; and enhancing an organization's community impact.

Underserved Markets
A distressed community or a group of people or entities, not necessarily in one geographic area, that meets the CDFI Fund's criteria of economic distress (see Distressed Community above).